

Message Text

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ACTION COME-00

INFO OCT-01 EA-10 NEA-10 ISO-00 EB-08 SSO-00 /029 W
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O R 120431Z SEP 78
FM AMEMBASSY KATHMANDU
TO SECSTATE WASHDC IMMEDIATE 3260
AMCONSUL SYDNEY IMMEDIATE
INFO AMEMBASSY MANILA

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E.O. 11652: N/A
TAGS: BENC, NP
SUBJECT: MAJOR PROJECT: HETAUDA CEMENT PLANT

REF: A) STATE 228407, B) STATE 226086

1. SUMMARY AND INTRODUCTION: EMBASSY HAS BEEN IN CONTACT BOTH WITH DIRECTOR GENERAL MINES AND GEOLOGY (GON OFFICE RESPONSIBLE FOR SUBJECT PROJECT) AND IMEX, AGENT OF DILLINGHAM/CRESCENT (D/C). IMEX IS CONVINCED THAT D/C STILL HAVE REASONABLE CHANCE FOR PROJECT. EMBASSY SOMEWHAT LESS OPTIMISTIC BUT BELIEVES DOOR IS STILL AJAR. IMEX AND EMBASSY AGREE THAT IF D/C IS TO KEEP ITS CHANCES ALIVE, SENDING WELL QUALIFIED TEAM TO KATHMANDU IS ESSENTIAL. END SUMMARY/INTRODUCTION.

2. PRIOR TO RECEIPT REF A, EMBOFF CALLED SEPT 8 ON M. RANA, DIRECTOR GENERAL FOR MINES AND GEOLOGY, RESPONSIBLE FOR HETAUDA PROJECT WITHIN GON, TO DISCUSS STATE OF PLAY IN LIGHT OF REF B. RANA ACKNOWLEDGED THAT THERE WERE A NUMBER OF SHORTCOMINGS IN TENDER SUBMISSIONS, INCLUDING THAT OF LOW BIDDER. HE DID NOT EXCLUDE D/C FROM THIS CHARGE, HOWEVER, AND IMPLIED THAT ALL FIRMS COULD HAVE BEEN DISQUALIFIED IF THAT HAD BEEN DESIRED. INSTEAD ALL SUBMISSIONS WERE ALLOWED TO STAND. NOW, HOWEVER, IT HAD BEEN DECIDED THAT THERE
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WERE SUFFICIENT POINTS IN DOUBT THAT ALL FIRMS SHOULD BE ASKED TO SUBMIT ADDITIONAL INFORMATION. AS A RESULT, NEGOTIATIONS WITH LOW BIDDER WERE BEING SUSPENDED AND EACH TENDERER WOULD BE ASKED SPECIFIC CLARIFYING QUESTIONS WITH REGARD TO ITS SUBMISSION.

3. RANA INDICATED, HOWEVER, THAT ODDS STILL FAVORED

ONE OF TWO INDIRMS, BASED STRICTLY ON PRICE DIFFERENTIAL BETWEEN THEM AND D/C (HE SAID LETTER WAS ABOUT 50 PERCENT HIGHER). HE ACKNOWLEDGED THAT HIGHER PRICE WOULD PRESUMABLY PRODUCE BETTER PRODUCT BUT THERE WAS QUESTION AS TO JUST HOW SOPHISTICATED A CEMENT PLAN NEPAL NEEDS. NEVERTHELESS, RANA SAID THEY WOULD LISTEN TO ANYTHING D/C HAD TO SAY, AND HE NOTED THAT ONE OF KEY POINTS REQUIRING CLARIFICATION WAS THE MANS OF ENSURING COMPLETION DATES WILL BE MET, AN AREA ON WHICH IMEX TELLS US THE D/C SUBMISSION WAS PARTICULARLY STRONG. IN SHORT, ISSUE IS NOT CLOSED.

4. ON SEPT 11, IN FLIGHT OF REF A, EMBOFF MET WITH GIRI RAJBANDARI, MANAGING DIRECTOR OF IMEX, TO GET LATTER'S VIEWS ON SITUATION AND TO SEE HOW THEY SQUARED WITH THOSE PRESENTED BY RANA. RAJBANDARI WAS AWARE OF PROCESS OF CLARIFICATION. HE SAID AN 18 MAN DELEGATION FROM SECOND INDIAN FIRM HAS ARRIVED IN KATHMANDU THAT DAY TO PURSUE MATTER WITH CONSULTANTS. HE ALSO HAD HEARD, BUT COULD NOT CONFIRM, THAT D/C HAD BEEN INVITED TO HOLD DISCUSSIONS SEPT 15/16 (HE HAS TELEXED THIS INFO TO DILLINGH IN SYDNEY). RAJBANDARI BELIEVES THAT BOTH OF INDIAN FIRMS WILL ULTIMATELY BE DISQUALIFIED (HE CLAIMS INSIDE SOURCES FOR THIS INFO). BUT HE ALSO SPECULATES THAT JAPANESE CONSULTANTS (ONODA) HOPE TO DISQUALIFY D/C AS WELL, WHICH WOULD THEN BRING THEM TO FOURTH BIDDER, IHI OF JAPAN.

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5. EVEN WITH JAPANESE CONSULTANT PERHAPS PLAYING FAVORITIES, RAJBANDARI BELIEVES THAT D/C HAS REASONABLE CHANCE IF THEY RESPOND POSITIVELY TO PRESENT OPENING. RAJBANDARI HAS OBTAINED WHAT IS REPORTEDLY COPY OF CONFIRMATIONAL ONODA COMMENTS OF D/C SUBMISSION. THESE HE SENT VIA LETTER ON SEPT 7 TO DILLINGHAM IN SYDNEY (ATTN: G.R. STANBROOK, MANAGING ENGINEERING AND HEAVY CONSTRUCTION DIVISION, GOLD FIELDS HOUSE, SYDNEY COVE). RAJBANDARI BELIEVES THAT IF D/C CAN SEND TEAM QUALIFIED TO DEAL IN DETAIL WIESE ISSUES IN MEETINGS HERE WITH ONODA THEY HAVE GOOD CHANCE, GIVEN FACT THAT IHI'S PRICE IS THIRD AGAIN AS HIGH AS D/C'S. RAJBANDARI SAYS THAT KEY POINT WILL BE NEED TO SHORE UP MINES AND ENGINEERING PORTIONS OF D/C SUBMISSION WHICH ONODA FOUND PARTICULARLY WEAK. HE FEELS IT IMPORTANT FOR MORE THAN ONE PERSON TO COME--BOTH THE SUBSTANCE OF D/C'S RESPONSE AS WELL AS THE APPEARANCE OF SERIOUS CONTINUING INTEREST ARE CRITICAL OF THIS POINT. THEY NEED NOT MATCH THE 18 FROM INDIA, BUT A SHOW OF FORCE IS REQUIRED.

6. COMMENT: PRICE IS KEY FACTOR IN CONTRACT SUCH AS HETAUDA AND THIS CONTINUES TO GIVE OBVIOUS EDGE TO ONE OF INDIAN FIRMS. ON OTHER HAND, SITUATION CLEARLY REMAINS UNCERTAIN AND IMEX'S ASSESSMENT COULD WELL BE ACCURATE--THAT IT WILL COME DOWN TO

D/C VERSUS IHI. IN THAT EVENT NATURE OF D/C RESPONSE AT THIS TIME WILL BE CRITICAL. IT MUST HAVE ANSWERS TO SHORTCOMINGS FOUND BY ONODA IN D/C TENDER SUBMISSION, AND IT MUST GIVE APPEARANCE OF CONTINUING COMMITMENT TO PROJECT. THEREFORE PRESUMABLY THE KEY IS D/C'S ASSESSMENT OF THE ONODA CRITIC MAILED BY IMEX ON SEPT 7.

FOR SYDNEY: HAS RAJBANDARI'S LETTER AND ENCLOSURES BEEN RECEIVED BY DILLINGHAM? IS IT WORTH OUR REPEATING INFO TO DILLINGHAM OR TO CRESCENT VIA CABLE? (NOTE: GIVEN TECHNICAL NATURE OF COMMENTS, FIGURES INVOLVED AND OVERALL LENGTH, WE SHIED AWAY FROM THIS ALTERNATIVE PENDING ASSESSMENT THAT IT REALLY NECESSARY.) IS THERE ANY FURTHER INFO WE CAN PROVIDE TO ASSIST D/C IN DECIDING ON COURSE OF LIMITED OFFICIAL USE

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ACTION? (NOTE: IN RESPONSE TO QUERY REF A RE SHORT LIST, THE LIST AT PRESENT CONSISTS OF FIVE FIRMS--ALL THOSE WHICH SUBMITTED BIDS. OTHER 10 FIRMS WHICH WERE ON EARLIER "SHORT LIST" DID NOT SUBMIT. AS FOR IHI ROLE, IT IS NOT NEW. IT SUBMITTED BID WHICH FELL FOURTH, AFTER D/C, AND IT REMAINS IN THAT POSITION. BUT WE CAN ONLY ASSUME IHI IS STILL INTERES IF ITS PRICE CAN BE JUSTIFIED IN LIGHT OF SHORTCOMINGS IN SUBMISSIONS OF TOP THREE.)
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